

**Environmental and Public Protection
Workers' Compensation Funding Commission**

| | Revised FY 2006 | Requested FY 2007 | Requested FY 2008 | Recommended FY 2007 | Recommended FY 2008 |
|---|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| SOURCE OF FUNDS | | | | | |
| General Fund | | | | | |
| Regular Appropriation | | 19,000,000 | 19,000,000 | | |
| Total General Fund | | 19,000,000 | 19,000,000 | | |
| Restricted Funds | | | | | |
| Balance Forward | 9,832,100 | 11,433,400 | 12,767,900 | 17,692,900 | 2,008,700 |
| Current Receipts | 126,932,000 | 102,925,300 | 100,303,100 | 106,480,000 | 109,470,000 |
| Non-Revenue Receipts | 8,166,000 | 10,235,900 | 11,702,200 | 15,134,000 | 25,356,600 |
| Total Restricted Funds | 144,930,100 | 124,594,600 | 124,773,200 | 139,306,900 | 136,835,300 |
| TOTAL SOURCE OF FUNDS | 144,930,100 | 143,594,600 | 143,773,200 | 139,306,900 | 136,835,300 |
| EXPENDITURES BY CLASS | | | | | |
| Personnel Cost | 1,411,900 | 1,433,500 | 1,609,000 | 1,331,100 | 1,451,100 |
| Operating Expenses | 125,825,300 | 129,393,200 | 130,354,000 | 135,967,100 | 133,730,500 |
| TOTAL EXPENDITURES | 127,237,200 | 130,826,700 | 131,963,000 | 137,298,200 | 135,181,600 |
| EXPENDITURES BY FUND SOURCE | | | | | |
| General Fund | | 19,000,000 | 19,000,000 | | |
| Restricted Funds | 127,237,200 | 111,826,700 | 112,963,000 | 137,298,200 | 135,181,600 |
| TOTAL EXPENDITURES | 127,237,200 | 130,826,700 | 131,963,000 | 137,298,200 | 135,181,600 |
| EXPENDITURES BY UNIT | | | | | |
| Workers' Compensation Funding Commission | 1,712,400 | 1,790,400 | 1,971,500 | 1,634,000 | 1,756,600 |
| Benefit Reserve | 118,000,000 | 121,105,600 | 121,032,300 | 127,770,600 | 124,519,900 |
| KCWP Fund | 7,524,800 | 7,930,700 | 8,959,200 | 7,893,600 | 8,905,100 |
| TOTAL EXPENDITURES | 127,237,200 | 130,826,700 | 131,963,000 | 137,298,200 | 135,181,600 |

The Workers' Compensation Funding Commission was created through the passage of House Bill 1 by the 1987 Extraordinary Session of the General Assembly. House Bill 928, passed by the 1994 General Assembly, transferred the Commission to the Labor Cabinet for administrative purposes. The agency has the public purpose of controlling, investing, and managing the funds collected pursuant to KRS Chapter 342.

The Commission collects two separate assessments as required by KRS Chapter 342. One assessment is imposed on Kentucky workers' compensation premiums received by all insurance carriers and group self-insurers, and on a calculation-based premium equivalent for employers carrying their own risk. A second assessment is imposed on such premiums received from employers engaged in the severance or processing of coal. In addition to these assessments, House Bill 1 of the 1996 Extraordinary Session contained a provision beginning with fiscal year 1998, that the Revenue Department credit \$19 million in coal severance tax revenues levied under KRS 143.020 to the Benefit Reserve Fund within the Commission. These funds, coupled with the two assessments, are to be used to fund and pre-fund the liabilities of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Funding Commission; finance all programs in the Labor Cabinet except the Division of Apprenticeship, Training and Employment Standards and the Office of Labor-Management Relations; and pay the liabilities and fund the operating budget for the Uninsured Employers' Fund in the Office of the Attorney General.

These assessments are credited to the Commission's Benefit Reserve Fund and the excess of collections over Special Fund liabilities, the Coal Workers' Pneumoconiosis Fund liabilities and budgeted expenditures are invested according to the

Commission's policies and in compliance with KRS Chapter 386. The agency may perform or contract for audits of those entities subject to assessments, and may coordinate with other governmental agencies to ensure compliance with the statutes relating to workers' compensation funding.

The Board is required to engage a certified public accountant to conduct an annual examination of the Commission's affairs and report the findings to the Governor and the Auditor of Public Accounts.

Included in the operating expenses are the fund transfers that represent the amounts the Commission will transfer to the Labor Cabinet and the Uninsured Employers' Fund for those programs statutorily supported by assessments.

The Commission maintains a diverse financial long-term investment portfolio and has an agreement with the Office of Financial Management, within the Finance and Administration Cabinet, for short-term overnight investment advantages.

Policy

Notwithstanding KRS 342.122(1)(c), \$19,000,000 from the General Fund will not be appropriated to the Funding Commission in fiscal year 2007 or fiscal year 2008.

Notwithstanding KRS 342.122(1)(a), \$952,000 in Coal Workers' Pneumoconiosis Funds will support Mine Safety Training in fiscal year 2007 and \$952,000 in fiscal year 2008 in the Office of Mine Safety and Licensing in the Department of Public Protection.